

**RIAA Ex. N-116-DP – Summary of AP1 AP2 and AP2A  
licences**

## MCPS LICENSING SCHEME SUMMARIES

### Introduction

This document is the PDF version of MCPS' Licensing Schemes Summaries, containing details of all of the Licensing Schemes currently operated by MCPS.

If you are viewing it having opened it from a link on the MCPS website, you may wish to save it to your own PC for later reference. You can do this by clicking on the save button (the icon that looks like a floppy disk) in the menu bar just above the document field. This menu bar includes a number of other useful functions, to help you to use the document; just hover your cursor over the icon to see what each one does. All of these functions will work in either the saved version or the one you are viewing direct from the link.

The information is organised in the same order within each scheme summary and appears under the following standard headings:

### Nature of Exploitation

This explains what the licence allows the user to do, and how the music is exploited.

The information in this section covers:

- The nature of the licensee's business
- Which acts of the licensee are covered, including the territory and media of exploitation.
- The members' repertoire which is licensed (which will be all repertoire unless stated otherwise). NB In some cases the licensing Schemes are limited to production music only.
- (Where relevant) the normal contract period of the licence granted (which provides an indication of when the terms of the licence will be re-negotiated).

### Special restrictions

Where a Scheme has any special restrictions which apply to the use of members' repertoire which are specific to that type of licence, or there is a requirement for prior approval for use of a work before a licence is granted, such restrictions are specified under this heading. Other restrictions which are more common across a number of Schemes (but which may not apply under every Scheme) are usually not referred to under each Scheme Summary. These include restrictions such as on the use of any dramatico musical work, adaptations, reproduction into advertisements, other rights in the work (e.g. such as licensed by PRS), or other rights (e.g. the graphic right).

### Fees

This covers the basis or structure of charging for the licence (e.g. rate per copy, annual lump sum).

### Operational information

Where appropriate, any relevant supplementary information about operational procedures is contained here.

### Distribution

There are two elements to consider: the basis of distribution and the timing of distribution (this latter includes how frequently royalties are distributed). For full details of these see the key to the Summary table. Usually this key information will appear in the box at the beginning of each Scheme Summary. Where appropriate, supplementary text under this heading will also cover the period of use covered by any particular distribution, and list any other MCPS documentation (available upon request) which confirms the basis of and any changes to the scheduled month of distribution.

### Commission rate

This is the percentage commission rate charged by MCPS.

### Licensees

In general an entry is published here when the list of licensees is relatively constant.

## PHYSICAL PRODUCT LICENSING

### AP.1, AP.2A & AP.2 - Records For Retail Sale To The Public

LBL Confirmed	Y		
	AP.1	AP.2A	AP.2
Timing of Distribution	Quarterly, within 7 days of receipt of cleared funds	Quarterly, in the month following receipt of cleared funds	Quarterly, in the month following receipt of cleared funds
Commission Rate	6.25%	7.5%	12.5%

#### 1. Nature of Exploitation

- 1.1 The terms and conditions of these Licensing Agreements are as ordered by the Copyright Tribunal on 12<sup>th</sup> March 1992. The Agreements license record companies and others to make audio-only products (e.g. CDs, LPs, MDs, etc, hereafter simply 'Records') containing any musical work in MCPS's repertoire (including the lyrics when these are in the repertoire).
- 1.2 The key differences between the Agreements are in the accounting and payment terms which apply. An AP.1 Agreement means the licensee pays royalties upon net shipments of Records quarterly, in arrears. Under AP.2A royalties are payable on the quantity of Records manufactured. Invoices are payable within a credit period of 60 days subject to a credit limit (agreed individually for each record company). Under AP.2 royalties are payable prior to manufacture of the records.
- 1.3 Any record company may apply to be considered for an AP.1 or AP.2A Agreement. The application is reviewed by MCPS and, in the case of AP.1, acceptance is subject to the approval of the MCPS Board. Acceptance is dependent on a number of considerations, which include:
  - trading history
  - creditworthiness
  - administrative capability
- 1.4 As at 1<sup>st</sup> October 2000, certain types of Enhanced CDs are treated as if they are part of this Scheme. There are no additional fees for any audio-visual material or for the reproduction of lyrics as text for those enhanced CDs which meet the necessary criteria. The CDs may include a limited number of promo video clips. The main criterion is that the tracks in the audio-visual part must also be featured in the audio-only part of the disc. If any of the criteria are not met, the CD would be licensed on an individual basis under SG.1.

#### 2. Special Restrictions

- 2.1 The licence granted is conditional, inter alia, upon:
  - the requirement for the record company to have obtained consent in the case of first recordings
  - proper compliance by the record company with the procedure for notifying intended releases to MCPS
- 2.2 The Scheme only licenses records for retail sale to the public for private use. Audio-file Downloads, Premium Products and Record Clubs are treated and licensed separately under the Schemes ON.2, SG.3 and AP.6.
- 2.3 Rental is not covered, except by public libraries where the sound recording copyright owner makes no charge.
- 2.4 Where label copy notifies that a 'new' work contains a sample, details are supplied to potential interested party members who have the option to register a claim or to claim infringement. Where claims on the work exceed 100% and the claims are all by MCPS members, MCPS will continue to license and collect in accordance with the member warranties received, but will suspend distribution payments pending confirmation of the copyright

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details. For further details see the guidelines on MCPS Sample Procedure on the website.

- 2.5 The use of whole dramatico-musical works or substantial excerpts thereof is excluded, unless the permission of the relevant copyright owner(s) has been obtained.

### 3. Fees

- 3.1 The royalty payable for each record is 8.5% of the Published Dealer Price (PDP), exclusive of VAT. If there is no PDP, the royalty is 6.5% of retail price, again exclusive of VAT.
- 3.2 The royalty payable is pro-rated if some of the musical works are in the public domain or non-MCPS repertoire. The record company product notification must specify the duration of each track on the record wherever this is available. Pro-rating is then carried out on the basis of duration of the music tracks, but where the duration is not available, it is carried out on the basis of an equal split.
- 3.3 Bona fide promotional records do not bear a royalty, provided that they are indelibly marked as such at the time of manufacture on both the disc and the packaging. Companies may elect to apply for a fixed allowance for promotional copies, in which case they may mark the copies after manufacture by either embossing or stickering.
- 3.4 Under AP.1 only, the number of records returned during a quarter may be offset against the number shipped, provided that they are of exactly the same catalogue number, format and content.
- 3.5 There are special provisions for deletions and exports.

### 4. Operational Information

- 4.1 The clearance or licence is granted either following when the notification has been processed by MCPS (AP.1, AP.2A), or only when MCPS has invoiced and payment has been received (AP.2).

#### 4.2 Record Company notification / Application For Licence (AFL)

- 4.2.1 AP.1 companies must notify MCPS of each record they intend to release at least 7 working days prior to first release.
- 4.2.2 Under AP.2A and AP.2 the record company submits to MCPS an AFL or (in the case of re-pressing of records for which a licence has been granted) an Application for a Re-Press Licence (AFRL) to manufacture the relevant order of records.

#### 4.3 MCPS Processing

- 4.3.1 MCPS then establishes the copyright owners of the works. If a work is subject to a first recording restriction which the member will not remove, MCPS notifies the record company that the record as presently constituted is not fully covered by the licence, and that it must not be manufactured or distributed.
- 4.3.2 Otherwise, MCPS in a normal situation sends back to the record company either
- Under AP.1, a clearance showing those works which it believes are covered by the Agreement;
  - Under AP.2A, a licence in respect of MCPS repertoire to proceed with manufacture immediately (or re-pressing) and an invoice for royalties due; or
  - Under AP.2, an invoice only (or a statement of no claim where no MCPS repertoire works have been used)

#### 4.4 AP.1 Accounting

- 4.4.1 At the end of each quarter, AP.1 companies prepare a breakdown of their shipments and returns by catalogue number, price and territory. This Statement of Shipments must be delivered to MCPS on magnetic media not later than 21 days after the end of the quarter.

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4.4.2 The normal procedure is that MCPS calculates the royalties due and sends the record company a royalty statement and invoice not later than 17 days following receipt of the Statement of Shipments.

### 4.5 Payment Terms

AP.1 Payment must be made by the record company no later than 45 days after the end of the quarter. Interest is payable on late royalties.

AP.2A The record company pays the royalties within the 60 days credit period allowed, or when the credit limit is reached.

AP.2 When payment of the invoice has been received, a licence in relation to the relevant works will be issued to the record producer and a copy sent to the designated manufacturer.

### 4.6 Related Parties – AP.2 and AP.2A only

4.6.1 MCPS members may make their own arrangements for being accounted to and collecting royalties where the record company and the members are 'Related Parties' as defined in Clause 16.20 of the Membership Agreement. The procedure is set out under the Mandates and Exclusions section of this Handbook (commencing on page 5). Licences must always be granted by MCPS.

## 5. Distribution

### 5.1 AP.1

Members can expect to receive the net amount via BACS (a quarter's royalties less commission) within seven working days of MCPS receiving cleared funds.

However, if a single payment to any member from any one record company does not exceed £30, it will be aggregated with other payments and paid out at the end of the month, providing the gross value payable to the copyright owner exceeds the minimum distribution value as laid out in the 'Royalty Distribution' section, commencing on page [to be completed at pagination stage] of this Handbook.

For the purposes of calculating interest, royalties from a record company should have been distributed on the last day of the month in which they were receivable by MCPS. Royalties distributed thereafter will attract interest where Clause 7.4 of the Membership Agreement applies.

Within 14 days of the end of each calendar month, MCPS will provide the member with a summary of the net amounts paid during the month, together with an amalgamated statement on hard copy or, on request, in computer readable form. This statement will specify the title of each work to which the royalties relate and the amount of royalties which have been processed and computed as being due in relation to each work.

A Product Licensed Report (PLR), detailing titles cleared, is also sent for information purposes to each member with a copyright interest. PLRs are provided with the monthly distribution paperwork, but members can elect to have them sent on a more regular basis if they so wish.

### 5.2 AP.2A, AP.2

MCPS distributes the royalties in the month following receipt of the income and appropriate distribution information. Thereafter, interest will be due subject to Clause 7.4 of the Membership Agreement.

Together with the payment, MCPS supplies the same royalty summary information and PLRs as under AP.1 above.

## 6. AP.1 Licensees

See next page for a list of AP.1 licensees